General Motors Corporation Annual Report for 1976

CHEVROLET CHEVETTE Hatchback
With Rally Sport Equipment

PONTIAC FIREBIRD FORMULA

OLDSMOBILE CUTLASS SUPREME Colonnade Hardtop Coupe

BUICK RIVIERA

Major photography: Bill Ray

Cover

Chevrolet Caprice Classic Sedan

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S.E.C. Form 10-K

Common stockholders (including beneficial owners) may obtain a copy of the Annual Report to the Securities and Exchange Commission on Form 10-K, including the financial statements and schedules, from General Motors after May 1, 1977. Requests should be addressed to: Manager, Stockholder Relations, General Motors Corporation, Room 11-229, 3044 West Grand Boulevard, Detroit, Michigan 48202, 313-556-2044.

The Annual Meeting of Stockholders

will be held on May 20, 1977, in Detroit, Michigan.

It is expected that proxy material will be sent to stockholders beginning about April 15, 1977, at which time proxies for use at this meeting will be requested.

Principal Offices

General Motors Corporation (a Delaware Corporation)
3044 West Grand Boulevard
Detroit, Michigan 48202

767 Fifth Avenue
New York, New York 10022

Stock Transfer Offices

767 Fifth Avenue
New York, New York 10022

3044 West Grand Boulevard
Detroit, Michigan 48202

21 King Street, East
Toronto, Ontario M5C 1B3, Canada

1350 Sherbrooke Street, West
Montreal, Quebec H3G 1J1, Canada

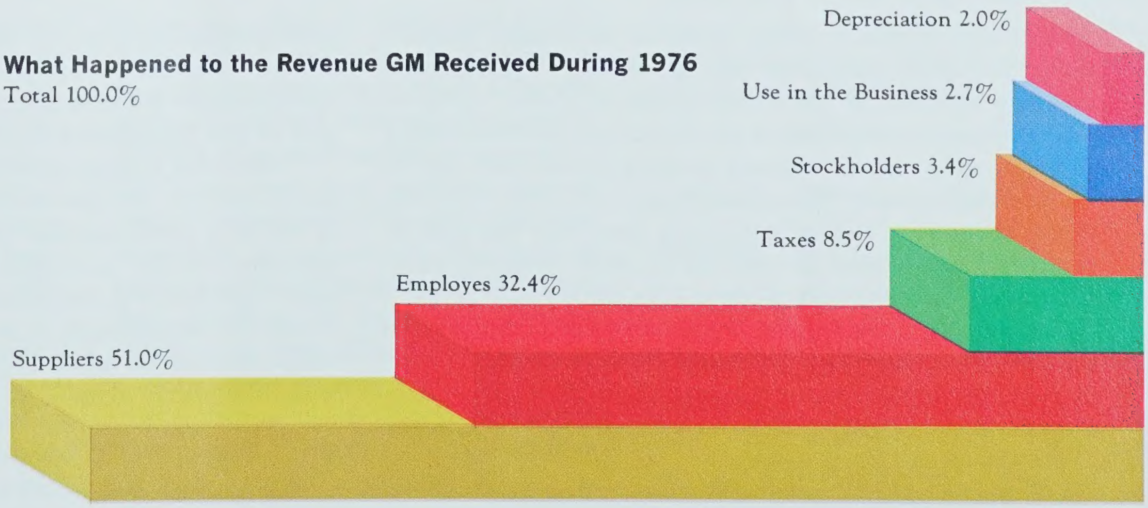
Highlights

(Dollars in Millions Except Per Share Amounts)

	1976	1975	1974	1973
Sales of all Products				
United States operations				
Automotive products	$37,069.6	$26,137.3	$23,446.7	$28,116.6
Nonautomotive products	2,277.0	2,392.8	2,210.2	1,938.8
Defense and space	438.1	387.7	359.1	316.4
Total United States operations	39,784.7	28,917.8	26,016.0	30,371.8
Canadian operations	5,263.0	4,263.3	3,693.7	3,116.0
Overseas operations	7,495.2	7,227.3	5,968.8	5,779.0
Elimination of intercompany sales	(5,361.9)	(4,683.5)	(4,129.0)	(3,468.5)
Total	$47,181.0	$35,724.9	$31,549.5	$35,798.3
Factory Sales of Cars and Trucks (units in thousands)				
Manufactured in the United States	6,218	4,658	4,678	6,512
Manufactured in Canada	715	595	642	580
Manufactured Overseas	1,635	1,376	1,370	1,592
Total	8,568	6,629	6,690	8,684
Net Income				
Amount	$ 2,902.8	$ 1,253.1	$ 950.1	$ 2,398.1
As a percent of sales	6.2%	3.5%	3.0%	6.7%
As a percent of stockholders' equity	20.8%	10.0%	7.6%	19.2%
Earned per share of common stock	$10.08	$4.32	$3.27	$8.34
Dividends per share of common stock	$ 5.55	$2.40	$3.40	$5.25
Taxes				
United States, foreign and other income taxes	$ 2,567.8	$ 1,118.2	$ 727.1	$ 2,115.0
Other taxes (principally payroll and property taxes)	1,492.0	1,217.7	1,142.0	1,090.7
Total	$ 4,059.8	$ 2,335.9	$ 1,869.1	$ 3,205.7
Investment as of December 31				
Working capital	$ 7,556.6	$ 6,394.0	$ 5,541.9	$ 6,196.9
Stockholders' equity	$14,385.2	$13,082.4	$12,530.6	$12,566.8
Book value per share of common stock	$49.02	$44.50	$42.58	$42.71
Worldwide Employment				
Average number of employes (in thousands)	748	681	734	811
Total payrolls	$12,908.5	$10,028.4	$ 9,771.4	$10,308.5

What Happened to the Revenue GM Received During 1976

Total 100.0%



Letter to Stockholders

Three years ago, the General Motors Annual Report was able to speak of 1973's "distinction as the most successful in General Motors history." It was a year of unprecedented performance in many aspects of your Corporation's operations. Now, in reporting the results of 1976, we can again speak of records. Although GM's worldwide sales of 8,568,000 cars and trucks were just short of a record last year, dollar sales of $47.2 billion, net income of $2.9 billion, earnings per share of $10.08, dividends of $5.55 per share, and payrolls of $12.9 billion all reached new highs.

Perspective, however, requires that the records of 1976 which are expressed in dollars should be compared with previous records only after allowance for the distortions of inflation. For the year-by-year erosion of buying power is the financial catch of our times which so often subtracts the extra from extraordinary.

The comparisons with 1973 are illuminating. In dollars of constant purchasing power, while 1976's dollar sales would still be 3% above the previous record in 1973, net income and earnings per share would be 6% less. The dividends per share paid in 1976 would be 18% less than the amounts paid in 1973. Wages and benefits per employe, however, more than kept pace with inflation. The average compensation (including benefits) per employe in the U.S. was almost 40% higher than in 1973; even after allowance for inflation, the increase would be more than 8%. It is significant that, between these two years of nearly equivalent unit volume, GM's profit margin shrank from 6.7% to 6.2%. As recently as 1965, net income was 10.3% of sales.

The abnormally high inflation of the past decade has been pumping up the cost of production even while competition in the automotive marketplace has been holding down prices. Out of this squeeze, the customer has gained added value. New-car prices as a percent of median family income are lower than ten years ago. Moreover, the Bureau of Labor Statistics, which factors in the value of product improvements, reports that new-car prices in the United States have increased only about half as much as consumer prices generally in the same period.

As they have for years, increases in the costs of labor and materials in 1976 again exceeded the price increase for the average GM vehicle in the United States. Competitive pressures prevented the full recovery of these higher costs by price alone, but they were offset by cost-control measures and other operating efficiencies throughout the organization.

Although the dollar figures of the last decade are made deceptive by inflation, unit sales are a more tangible measure, and they convincingly demonstrate the industry's continuing growth in the United States and elsewhere in the world. Worldwide sales of cars and trucks by the industry show a decided upward trend. It was only a decade ago that the number of cars and trucks sold overseas surpassed sales in the United States and Canada for the first time. Today growing industrialization in developing nations and rising levels of affluence in much of the world promise to continue to widen the margin of growth outside North America. GM accounted for an estimated 25% of all cars and trucks sold worldwide in 1976, the highest percentage since 1969. That this level was so large is encouraging; that it was so small is an indication of the enormous opportunities for further growth.

The industry's largest single area of sales remains the United States. Here in 1976, retail sales of cars and trucks, including imports, rose to 13.3 million units. This 20% gain over the previous year was all to the credit of American manufacturers since sales of imported vehicles declined in 1976. Car sales totaled 10.1 million units, 17% above 1975, while truck sales increased to 3.2 million units, 28% over 1975, and established a new record. The results of 1976 were all the more remarkable because they marked a turnaround from the previous year which was the industry's worst sales year since strike-affected 1970.

The sales recovery in 1976 was especially favorable for General Motors. GM dealers sold 4.8 million cars in the United States—27% more than in 1975. GM accounted for 47.7% of all new cars sold, nearly a four-point improvement over 1975 and the best showing of this decade. The success in truck sales was equally pronounced. Retail sales of General Motors trucks in the United States established a new record of nearly 1.4 million units. Taken together, retail sales of GM cars and trucks in the United States approached 6.2 million units, less than 4% short of the 1973 record, whereas sales for the industry as a whole were 9% below 1973. Combined car and truck sales by GM of Canada dealers were a record for the fourth year in a row. Overseas, sales of GM's cars and trucks recovered strongly from the depressed levels of 1975 and 1974, and posted a new record.

The lack of a coherent energy policy in the United States—more than three years after the oil embargo—has become glaringly apparent in this severe winter of 1976-77. Record low temperatures and blizzard conditions have strained energy supplies, added to the nation's unemployment, and slowed its economic growth. By mid-February, in General Motors alone, about four million man-hours had been lost and 30 plants had been closed for one day or more, resulting in an estimated production loss of some 150,000 cars and trucks.

Two years ago, in this letter, we reported your Corporation's advocacy of a national energy policy. Now, in the harsh winter of 1977, the advice bears repeating: "That the United States must develop an energy policy that will serve its vital interests is no longer debatable. . . . The clear lesson that two centuries of free enterprise should have taught [is] that we must rely upon the market mechanism if we are to achieve our national goal of less dependence on foreign oil.

"The nation's energy resources can be intelligently managed and priced. . . . We can achieve both an expansion in supply as well as a common-sense conservation. With a competitive economy and fair incentives, innovation will rise to fill the need. This has been the American experience, and to fear that it will no longer occur is to renounce an economic system which remains the fairest and the freest means of putting the world's resources to work for its people."

Toward the end of 1976, the verdict of the marketplace was heard on our new 1977 full-size cars in North America. These new cars represent the further development of a new generation of General Motors cars designed to make the automobile as fuel-efficient as possible while maintaining the safety, comfort, and conveniences demanded by the motoring public.

In addition to strengthening General Motors' sales, our 1977 full-size cars are making a significant contribution to energy conservation. At the beginning of the model year, the Environmental Protection Agency calculated that all of GM's 1977 cars, on a sales-weighted basis, would average 18.4 miles per gallon. However, so far in the model year, customers—with their oft-proven unpredictability—are buying more larger cars and larger engines than expected. Consequently, the average fuel economy for GM's entire 1977 line may turn out to be about 18 miles per gallon—still significantly better than last year and better than our two principal domestic competitors. It would also represent a 50% increase over 1974, providing General Motors with the greatest improvement in fuel economy of any American manufacturer since the oil embargo.

The development of better gas mileage and better emission control generally work against each other, so it is a tribute to our engineers and designers that they were able to achieve both in these 1977 cars. And we are committed to further improvements. We are looking forward to introducing other new, high-quality, more-efficient cars this year and in the years ahead as we work to maintain the leadership in product innovation which GM has so clearly achieved.

During 1976, we renegotiated our contracts with the unions representing most of our employes in the United States and Canada. While agreements were reached without significant interruption of production, these settlements dictate that the cost of labor will become an ever-increasing burden and that, if we are to counter these higher costs, we must increase the efficiency of our operations.

Unfortunately, 1976 saw no final resolution of the uncertainties regarding government standards for emission control. Even though the nation's air on the whole is becoming progressively cleaner as newer cars take the place of older models, Federal emission standards, as they now stand, would prevent production of our 1978 models, since neither the technology nor the time is available to meet them. We are supporting the Dingell-Broyhill amendment of the Clean Air Act in the House of Representatives and the Riegle-Griffin amendment in the Senate. This sensible legislation would allow automobile production to continue into the 1978 model year and would establish a stringent but achievable schedule of standards for future years. We ask that you join us in urging your representatives in Congress to vote for the prompt passage of this essential legislation.

General Motors has agreed to cooperate with the Department of Transportation in its large-scale marketplace test of passive-restraint systems. General Motors is the only manufacturer ever to have marketed air-cushion systems in production automobiles. Customer acceptance was very limited, and whether the public will buy air-cushion-equipped cars in the numbers suggested by the government—at any price—remains a serious question which we hope this test will help resolve.

We will provide the capability to manufacture up to 300,000 cars equipped with air cushions and to market these cars aggressively during the 1980 and 1981 model years. The air cushions will be offered at a price of no less than $100, with a final determination of the price to be made after a governmental review of their full-production costs. GM's action continues its policy of encouraging every reasonable effort to advance the safety of the motoring public.

The increased level of production in 1976 enabled GM to further its progress in equal employment opportunity. The representation of both women and minorities in GM's work force reached all-time highs. Our job is not done, however, and we remain committed to further progress, especially in advancing the upward mobility of minorities and women, so that they, as well as GM, may benefit from the fullest use of their skills and energy.

Your management recognizes that responding to increasing governmental directions adds new responsibilities which we must accept without any sacrifice of our older and more traditional obligations. We are determined to continue to offer our customers the quality products and service they require; to provide our employes with the compensation, the opportunities, and working conditions to which they are entitled; to deal with everyone involved in our business in accordance with the highest ethical standards; and to work to earn a deserved return for our stockholders.

Of all our objectives, the achievement of customer satisfaction—not only in how we build our products, but in how they are serviced—is of primary importance. GM's reputation, and that of our dealers, is on the line with every product we make, with every service we render, with every transaction with every customer. We gained new customers in 1976, and are trying to add more this year, but we know that while sales are essential to the success of our business, the satisfaction of our customers is essential to its survival.

General Motors is well positioned to take advantage of the opportunities provided by the enlarging car and truck market. As we see them, the prospects for the economy and the automobile industry in 1977 are very favorable. We expect that the industry's combined car and truck deliveries in the United States will exceed the record of 14.6 million set in 1973. New-car sales are estimated to reach 11.25 million units, over one million above 1976, and truck sales could reach 3.5 million units, 300,000 units above record 1976.

Your management is looking forward to a year of challenge, one that will be marked by aggressive competition. We know it will be a year of great opportunity, and we expect it to be one of sustained achievement for General Motors. To this end, we pledge to you, the owners of our business, our continued best efforts.

T. A. Murphy

Chairman

Elliott Estes

President

February 16, 1977

RETAIL SALES OF CARS AND TRUCKS

Worldwide sales of cars and trucks in the 1976 calendar year totaled an estimated 33.8* million units, an 11% increase over 1975 levels. Retail sales of 8.4 million General Motors vehicles worldwide represented a 23% improvement over 1975 and were only 1% below 1973 record deliveries. GM accounted for an estimated 25% of all passenger cars and trucks sold worldwide in 1976.

United States

Retail sales of General Motors passenger cars in the United States in 1976 exceeded 1975 sales by 27% and were the third highest in history, 6% below the 1973 record sales and only 2% below 1972. U.S. industry car sales during 1976 totaled 10.1 million units, 17% over 1975 but 12% below the 1973 record year.

Comparing the 1976 calendar year with 1975, all GM car divisions achieved sizable sales gains. Although sales gains were made in full-size, mid-size, and compact car models, demand for subcompact models was less than anticipated throughout most of the year. Chevrolet was again the number-one seller of passenger cars in the United States, while Oldsmobile ranked third. Both Oldsmobile and Cadillac established all-time unit sales records.

Retail truck sales by GM in 1976 were 32% above 1975 and exceeded the previous 1973 record by 8%. Industry-wide retail truck sales of just under 3.2 million units also surpassed the 1973 record.

Both Chevrolet and GMC Truck & Coach established new truck sales records in 1976, reflecting the strong demand for light trucks and vans. To meet demand for the increasingly popular vans, new facilities are being installed at GMC and production is scheduled to begin this August.

GM enhanced its competitive position in the sale of heavy-duty trucks by introducing two new models during the summer of 1976—the Chevrolet Bison and the GMC General. Sales by GMC Truck & Coach Division of its two Motorhome models increased substantially, and the introduction by GMC of a third model in December places the Division in an excellent position to meet the expanding demand for recreational vehicles.

Canada

Combined retail sales of cars and trucks by GM of Canada dealers in 1976 were a record for the fourth straight year and were 3,000 units above 1975 sales.

Combined industry car and truck sales in Canada were affected by labor disruptions and declined 2% from the 1975 record level. Industry car sales were 4% below record 1975, while truck deliveries exceeded the previous 1975 high by 6%.

Overseas

In line with generally more favorable economic conditions, overseas vehicle sales continued to improve steadily throughout the year. New records were established in 1976 for retail sales of GM vehicles outside the U.S. and Canada, with combined deliveries of cars and trucks up 15% over 1975 and 7% over the previous 1973 record year.

Vehicle sales by all manufacturers overseas, excluding sales in the Soviet Union, Eastern Europe, and the People's Republic of China (where our opportunities to compete are extremely limited), increased by more than 1 million units in 1976 to 19.3 million, with GM accounting for about 9% of the industry total, compared with 8% in 1975.

The strengthened overseas sales pattern was accounted for almost entirely by improvements in Europe. Combined retail sales of cars and trucks by GM's subsidiaries throughout Europe totaled 1,049,000 units in 1976, an increase of nearly 28% compared with 1975 deliveries of 823,000 units. In the Federal Republic of Germany, based on strong sales of smaller-size car models, Adam Opel AG established a retail sales record of 473,000 units in 1976, up 23% over 1975 sales. Retail sales of Vauxhall cars and Bedford trucks in the United Kingdom totaled 154,000 units, an increase of 12% over 1975. Bedford was the leading seller of trucks in the United Kingdom. Vauxhall strengthened its small-car lineup during the year with the introduction of two- and four-door variants, as well as wagon and van versions, of its popular Chevette. In other parts of Europe, GM retail sales totaled 422,000 units, an increase of 40% over 1975.

In the Australian, New Zealand, and East Asian area, retail car and truck sales by GM-Holden's Limited in Australia totaled 153,000 units in 1976, slightly above the 1975 level. In the remainder of the area, GM's retail deliveries totaled 52,000 units, 10% below 1975. Holden's remained the leader in Australia for the 24th consecutive year, accounting for 25% of all vehicles sold in that country. Holden's strengthened its intermediate-size car range during the year with the introduction of its new Sunbird model and two hatchback models in the Torana series.

In the Latin American area, economic conditions were characterized by balance-of-payment difficulties, excessive inflation rates, and currency devaluations which continued to restrict business activity in

Car and Truck Retail Sales (In Thousands)

	CARS				TRUCKS			
United States	1976	1975	1974	1973	1976	1975	1974	1973
Industry	10,095	8,620	8,851	11,427	3,191	2,497	2,707	3,171
General Motors	4,811	3,787	3,755	5,142	1,378	1,041	1,080	1,277
GM % Of Industry	47.7	43.9	42.5	45.0	43.2	41.7	39.9	40.3
Canada								
Industry	946	989	941	971	342	323	304	254
General Motors	373	383	340	352	146	133	111	95
GM % Of Industry	39.4	38.8	36.2	36.2	42.9	41.1	36.5	37.4
Overseas								
Industry*	14,925	14,093	13,508	15,143	4,342	4,019	3,892	4,259
General Motors	1,404	1,179	1,065	1,287	284	292	275	286
GM % Of Industry	9.4	8.4	7.9	8.5	6.5	7.3	7.1	6.7

*Estimated data exclude the Soviet Union, Eastern Europe, and the People's Republic of China. Combined vehicle sales in these areas totaled approximately 3.1 million units in 1976.

BUICK ELECTRA LIMITED Sedan

many countries. In spite of these problems, industry vehicle sales in Brazil remained relatively strong and General Motors do Brasil S.A. achieved record retail sales of 174,000 cars and trucks, slightly above 1975. In other Latin American countries, GM's 1976 retail sales totaled 117,000 units, a decline of 5% from 1975.

In the Middle Eastern and African area, GM sales improved only marginally, reflecting mixed economic conditions. In South Africa, where depressed economic conditions prevailed, General Motors South African (Pty.) Limited delivered 38,000 cars and commercial vehicles, 20% below 1975 sales. GM retail sales elsewhere in the area were 105,000 units, 11% over 1975.

NEW FUEL-EFFICIENT, FULL-SIZE MODELS

The new full-size 1977-model passenger cars introduced by GM in the U.S. and Canada have received excellent customer acceptance. These cars exemplify GM's conviction that gasoline conservation can be achieved without unreasonably restrictive legislation.

GM's new full-size cars, on the average some 700 pounds lighter than comparable 1976 models, obtain about three miles more per gallon of gas than their 1976 counterparts. Based on sales to date and forecasts for the remainder of the model year, GM projects that its 1977 passenger car lineup will achieve an average sales-weighted fuel economy of about 18 miles per gallon, an increase of about 50% above the 1974 average.

The reduction in weight and exterior size of the new full-size models was achieved without any sacrifice in safety, passenger comfort, convenience, or usable space for passengers and luggage. The EPA's new interior volume index, which indicates combined passenger and luggage room, generally rates GM vehicles higher than comparable 1977-model full-size cars carried over by our two principal domestic competitors.

The 1977 full-size cars are another step in GM's redesign and engineering program which, beginning in 1974 and extending through 1979, will entail capital expenditures of some $15 billion. GM will continue its program of introducing new, more fuel-efficient cars as it moves toward the Federally-mandated, average production-weighted fuel economy of 20 miles per gallon required by 1980, and 27.5 miles per gallon by 1985.

POWER AND APPLIANCE PRODUCTS

Sales of GM's power and appliance products in 1976 were generally below 1975, primarily reflecting continued weakness in the capital investment sector of the economy.

Detroit Diesel Allison Division's sales of diesel engines—primarily those for heavy-duty trucks—were below last year's level, but sales of heavy-duty automatic truck transmissions established a record. In 1976, the Division's first major overseas facility for diesel engine production went into operation in Sao Jose dos Campos, Brazil. The new plant has a capacity of 55,000 engines per year for Brazilian and export use.

Electro-Motive Division's results reflected a decline in demand for new locomotives. This decline was offset, in part, by increased locomotive rebuild and service parts business.

As a result of the low level of activity in the mining and construction industries, primarily in the United States, TEREX Division's worldwide dollar sales were down slightly in 1976 in spite of increased TEREX sales overseas.

Frigidaire unit sales in 1976 were below 1975, reflecting the continuing sales de-

cline in the appliance industry during the past three years.

CAPITAL EXPENDITURES

Worldwide capital expenditures in 1977 for facilities and tools are projected to exceed \$3 billion—the highest in GM's history. These expenditures will be more than 30% above the 1976 level of \$2.3 billion and more than 20% above the previous high established in 1974. Approximately 80% of the 1977 capital expenditures will be made in the United States.

In addition to major expenditures for new car and truck programs and new facilities at GMC Truck & Coach Division for the production of vans, other large-scale capital expenditure projects announced during 1976 include: preparation of a Chevrolet plant at Adrian, Michigan, for the production of plastic automobile components; resumption of major expansion and modernization programs at the Oldsmobile and Fisher Body Divisions in Lansing, Michigan; the completion of an addition to the Buick assembly plant in Flint, Michigan; a two-phase project adding to facilities at Chevrolet's aluminum die-casting plant at Massena, New York; and major additions to the Delco Products Division plant in Kettering, Ohio, and the Delco Electronics Division plant in Kokomo, Indiana.

LITIGATION

The dismissal by the Federal District Court in Los Angeles of 35 class action suits filed against the major automobile companies and the Motor Vehicle Manufacturers Association became final in October 1976 after a decision by the U.S. Court of Appeals for the Ninth Circuit affirmed the dismissal. The dismissed actions brought an end to suits filed in 1969 by various states, cities, counties, and individuals which alleged a conspiracy in violation of the antitrust laws to delay the development and installation of motor vehicle emission control devices.

In January 1976, the District Court in Los Angeles also dismissed a treble-damage suit by AMF, Inc. against the same defendants, which alleged a conspiracy in the early 1960's to boycott an emission control device experimentally developed by the plaintiff and others. An appeal is pending before the U.S. Court of Appeals for the Ninth Circuit.

People of General Motors

As a result of higher production levels, GM's worldwide employment and payrolls in 1976 were considerably above 1975 levels. Average worldwide employment in 1976 was approximately 748,000 men and women with payrolls totaling \$12,908 million. For 1975, average worldwide employment was 681,000 and payrolls amounted to \$10,028 million. In the 1976 fourth quarter, worldwide employment averaged 792,000 and payrolls were \$3,471 million, compared with 732,000 and \$2,767 million in the 1975 fourth quarter.

The average number of GM hourly employes in the U.S. in 1976 was 403,000 and payrolls totaled \$7,699 million, compared with 352,000 employes and payrolls of \$5,564 million in 1975. Hourly wages—including such items as vacation and holiday pay, but excluding benefit plan costs—averaged \$8.72 per hour, compared with \$7.96 in 1975. Including the cost of benefits, the average hourly labor cost in 1976 was more than \$11 an hour.

Total GM contributions for employe benefit programs in the U.S. reached a record \$2.4 billion in 1976, compared with the previous high of \$2.1 billion in 1975.

EQUAL EMPLOYMENT OPPORTUNITY

Progress in terms of the representation of minorities and women in GM has continued to be encouraging. In both white-collar and blue-collar categories, there were higher percentages of minorities and women employed by GM at year-end 1976 than ever before in its history. Minorities represented nearly 19% of GM's total work force in the U.S., including 10% of white-collar employes and 21% of blue-collar employes. Similar improvements were experienced for women employes. At the end of 1976, women represented almost 17% of GM's total work force in the U.S., including 20% of white-collar employes and 16% of blue-collar employes.

NEW LABOR AGREEMENT

A new three-year agreement covering GM employes in the United States represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) was reached on November 19, 1976. Based on our estimates, total hourly labor costs

will increase at least $5.8 billion over the next three years or by almost $500 per vehicle by the end of the agreement. Considering anticipated inflation rates, the labor cost for the average GM hourly employe will have increased by more than $3.75 per hour by 1979. This will bring GM's total hourly labor cost—wages and benefits—for the average hourly employe to more than $15.00 by the end of the third year of the agreement.

GM also concluded negotiations with the UAW in Canada and with the International Union of Electrical, Radio and Machine Workers, AFL-CIO-CLC (IUE) and several other unions representing certain of the Corporation's employes in the U.S. and Canada shortly thereafter. Benefits for most of these employes closely parallel the provisions of the GM-UAW agreement in the U.S.

The following summarizes the major provisions of the new UAW labor agreement:

- Wage increases ranging from 33 to 47 cents per hour were granted effective September 20, 1976, and annual improvement factor wage increases of 3% will become effective in September of 1977 and 1978.
- Employes in skilled trades job classifications received an additional 15 to 29 cents per hour in September 1976, and in the second year of the agreement will receive an additional 10 cents per hour.
- Effective December 13, 1976, $1.09 of the $1.14 per hour cost-of-living allowance (COLA) was transferred to base wage rates.
- Through a temporary reduction in COLA, the agreement also provides for a lump sum payment of up to $600 to those employes who retired before September 14, 1976.
- Pension Plan improvements include increases in the monthly benefits to surviving spouses and in the special benefit provided for retirees to help pay for medicare coverage.
- Insurance improvements include higher amounts of life and disability insurance benefits. In the health care area, two new plans—vision care and hearing aid—are included.
- Improvements were made to the dental plan and the coverage was extended to retirees, eligible surviving spouses, and their dependents.

OLDSMOBILE DELTA 88 ROYALE Coupe

- Changes in the Supplemental Unemployment Benefit Plan include provisions for additional funding.
- A new plan provides for a total of 12 additional paid days off for each eligible hourly worker during the term of the agreement.

Other changes resulting from the new agreement include improvements in vacation and holiday pay provisions and new procedures with respect to subcontracting. In addition, the Corporation gave the UAW and IUE letters which convey assurances of GM's neutrality in the unions' efforts in organizing production and maintenance employes. Also, GM announced the establishment of a refund program for purchases of GM vehicles and Frigidaire appliances for hourly employes and pensioners.

IMPROVEMENTS FOR U.S. SALARIED EMPLOYES

In general, salaried employes were provided improvements in salaries and benefits as follows:

- Effective September 16, 1976, a performance improvement increase fund was established from which individual increases were granted to eligible employes. In addition, comparable to the change for hourly employes, a portion of COLA was transferred to the base salaries of eligible employes.
- Eligible salaried employes will be given a total of 12 additional days off or other equivalent compensation over the next three years.
- Subject to approval of the stockholders and governmental rulings, the

rate of GM's contribution under the Savings-Stock Purchase Program will be increased from $0.50 to $0.60 for each $1 saved by a participant.

• A new Employe Stock Ownership Plan (ESOP) has been established. This plan, which is retroactive to January 1, 1975, and subject to governmental rulings, provides an additional stock interest in General Motors for eligible employes. It is financed entirely by a tax credit made available under recent Federal legislation.

• Subject to stockholders' approval and to governmental rulings, the Salaried Retirement Program will be modified to: (1) increase the annual benefit rate on employe contributions made prior to July 1, 1971; (2) reduce employe contributions to be made after July 1, 1977; and (3) increase the monthly benefits paid to retired employes and surviving spouses. A one-time lump sum payment of up to $600 will also be made by GM to salaried employes who retired prior to September 14, 1976.

Other improvements include: the extension of the discount on the purchase of GM vehicles to all salaried employes; expanded health care benefits; the availability of increased amounts of optional dependent group life insurance; and the institution of a supplemental life insurance program for salaried employes eligible to participate in the Corporation's Bonus Plan.

BOARD OF DIRECTORS

Since our last Annual Report, John D. deButts, Chairman, American Telephone and Telegraph Company, and J. Stanford Smith, Chairman, International Paper Company, were elected to the General Motors Board of Directors. Mr. deButts was also elected a member of the Audit and Public Policy Committees.

Shermer L. Sibley, Chairman of the Pacific Gas and Electric Company, died on July 16, 1976. Mr. Sibley had been a member of the General Motors Board of Directors since November 1974 and of its Public Policy Committee since June 1975.

The membership of the Board now totals 24, seven of whom are officers of General Motors.

Financial Review

Factory Sales

Worldwide factory sales (vehicle sales by GM to its dealers) of 8,568,000 cars and trucks in 1976 represented an increase of 29% over 1975 and were the second highest in GM's history, only 1% below the 1973 sales record. U.S. factory sales of cars and trucks were also the second highest in history, only 5% below the 1973 record year. Factory sales of trucks in the U.S. in 1976 set a new record, surpassing the previous 1973 record by 6%. New factory unit sales records were also established in 1976 by GM of Canada and by GM's combined overseas subsidiaries.

Dollar Sales

Worldwide dollar sales of GM products totaled a record $47.2 billion for 1976, compared with $35.7 billion in 1975, and the previous high of $35.8 billion established in 1973.

The following table reflects the percentage contribution to GM's total worldwide dollar sales, before elimination of intercompany sales, by U.S., Canadian, and overseas operations in 1976 and the prior three years.

	Percentage of Total Sales			
	1976	1975	1974	1973
U.S.	76%	72%	73%	77%
Canada	10	10	10	8
Overseas	14	18	17	15

Earnings

Net income in 1976 was a record $2,903 million, and earnings on common stock were a record $10.08 per share, compared with $1,253 million and $4.32 per share, respectively, in 1975 and the previous records of $2,398 million and $8.34 per share in 1973.

Net income estimated to be attributable to United States operations was 82% of total net income in 1976, compared with 85% in 1975 and 86% in 1973, while that attributable to Canadian operations was 6% in 1976, compared with 9% in 1975 and 5% in 1973. Overseas operations contributed 12% of net income in 1976, compared with 6% in 1975 and 9% in 1973. Of the estimated net income attributable to United States operations in 1976, approximately 96% was accounted for by automotive products.

Net income in 1976 reflected an unfavorable adjustment of $144 million, or $0.50 per share, which resulted from the adoption of the last-in, first-out (LIFO) method of inventory valuation for substantially all domestic inventories for the 1976 calendar year. The LIFO method of inventory valuation permits a closer matching of current costs against current revenues for financial reporting purposes and partially offsets the effect of inflation on earnings. Also included in the net income for 1976 was a favorable adjustment of $80 million, or $0.28 per share, as the

GM Factory Sales (In Thousands)

	CARS				TRUCKS			
	1976	1975	1974	1973	1976	1975	1974	1973
United States	4,883	3,680	3,592	5,251	1,335	978	1,086	1,261
Canada	477	406	476	443	238	189	166	137
Overseas:								
Europe	1,030	790	726	991	90	97	115	113
Australia, New Zealand and East Asia	140	131	149	164	97	72	84	71
Latin America	169	165	158	120	70	75	96	89
Middle East and Africa	19	28	28	33	20	18	14	11
Total Overseas†	1,358	1,114	1,061	1,308	277	262	309	284
Total	6,718	5,200	5,129	7,002	1,850	1,429	1,561	1,682

†Includes units manufactured by Isuzu Motors Limited under contract for and marketed by General Motors.

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result of implementing the Statement of the Financial Accounting Standards Board on Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements (FASB No. 8).

Net income as a percent of sales increased to 6.2% from 3.5% in 1975, but was below the 6.7% achieved in 1973. The increase in earnings during 1976 of $5.76 per share, compared with 1975, is principally accounted for by higher volume and changes in product mix amounting to about $4.50 per share. The balance of the increase reflects improved efficiencies in all areas of the business. The increased earnings for 1976, compared with 1973, resulted from improved operating efficiencies through continuing cost-reduction programs which more than offset increased economic costs not recovered in price and the effect of slightly lower unit volume.

Comparing 1975 with 1974, net income and earnings on common stock in 1975 increased $303 million and $1.05 per share, respectively. The increase in earnings during 1975 reflected higher dollar volume and changes in product mix of about $0.50 per share, with the remainder primarily attributable to cost-reduction programs partially offset by increased economic costs not recovered in price.

Financing and Insurance Operations

GM's financing and insurance operations, represented by General Motors Acceptance Corporation and its subsidiaries, reported a record consolidated net income for the year of $161 million. This compared with 1975 income of $125 million and represented a 29% increase.

Prices

On August 25, 1976, the Corporation announced that U.S. wholesale prices to General Motors dealers on its 1977 base cars with equipment comparable to 1976 models were being increased an average of $216, the same amount as a year earlier. Although GM's car prices had not changed during the previous year, the cost of materials and labor had risen substantially. As a result, cost increases on the 1977 models, excluding the effect of cost-control efforts, exceeded the selling price increases for the average GM vehicle by over $100.

GM believes that its 1977 prices are fully responsive to competitive conditions in the marketplace. The margin of value which new cars traditionally hold over other goods and services is well documented. Over the past five years, the Bureau of Labor Statistics, whose indices recognize quality changes, reported that new-car prices had increased only 27%, while consumer prices generally had increased 42%. Over this same period, again excluding the effect of intensive cost-control efforts, cost increases exceeded selling price increases per GM vehicle in the U.S. by more than $600 per average vehicle.

Dividends

General Motors paid a record year-end dividend of $3.00 per share in the 1976 fourth quarter. This dividend distribution totaled approximately $859 million and represented the largest single dividend distribution in GM's history. Total dividends paid on common stock were a record $5.55 per share in 1976, compared with $2.40 per share in 1975 and the previous record of $5.25 per share paid in 1973 and 1965.

The record dividends paid in 1976 re-

flect the improvement in the overall economy and in GM's earnings and capital position. In addition, they take into consideration the erosion of purchasing power due to inflation and recognize General Motors' awareness of the need to provide stockholders with an adequate return on their investment.

Taxes

The provision for United States, foreign and other income taxes in 1976 was $2,568 million, compared with $1,118 million in 1975 and $2,115 million in 1973. Together with other state and local taxes and General Motors' share of payroll taxes, the total tax provision in 1976 was $4,060 million, compared with $2,336 million in 1975 and $3,206 million in 1973. In 1976, the total tax provision was equivalent to $1.40 for every dollar of net income and $14.16 per share of common stock, compared with $1.86 for every dollar of net income and $8.14 per share in 1975 and $1.34 and $11.21, respectively, in 1973.

Expenditures for Plants, Equipment and Special Tools, and Depreciation

Expenditures for plants and equipment throughout the world totaled $999 million in 1976 and provided for capacity expansion, modernization, plant replacements, and new-model programs. Of these expenditures, approximately 80% were made in the United States, 4% in Canada, and 16% overseas. In 1975, spending for plants and equipment totaled $1,201 million.

Depreciation charged to income in 1976 was $939 million, compared with $906 million in 1975.

Expenditures for special tools were $1,308 million in 1976 and $1,036 million in 1975. Tool amortization amounted to $1,297 million in 1976 and $1,180 million in 1975.

Working Capital

Working capital at December 31, 1976, totaled $7,557 million, an increase of $1,163 million over the $6,394 million at December 31, 1975. The increase in 1976 is due primarily to the excess of net income over dividends paid to stockholders of $1,299 million, partially offset by a decrease in long-term debt of $153 million. A statement setting forth the change in working capital by element appears on page 14.

Common Stockholders' Equity

The equity of the holders of General Motors common stock is represented by the common stock, capital surplus, and net income retained for use in the business. This amounted to $14,102 million at the end of 1976, compared with $12,799 million at the end of 1975. Book value per share of GM common stock increased to $49.02 at the end of 1976, from $44.50 at the end of 1975. Net income as a percent of stockholders' equity was 20.8% in 1976, compared with 10.0% in 1975.

Fourth Quarter Results

For the fourth quarter of 1976, records were established for unit and dollar sales, net income, and earnings per share.

Worldwide factory sales of General Motors cars and trucks totaled 2,291,000 units in the 1976 fourth quarter. This compares with 1,965,000 units for the fourth quarter of 1975 and 2,245,000 units in the previous record fourth quarter of 1972.

Dollar sales totaled $13,070 million, 24% or $2,547 million above the previous record of $10,523 million in the fourth quarter of 1975.

Net income for the fourth quarter of 1976 totaled $797 million, or 6.1% of sales, compared with $618 million, or 5.9% of sales, in the 1975 quarter, and $667 million, or 7.6% of sales, in the previous record fourth quarter of 1972.

Earnings per share of common stock were $2.77 in the fourth quarter of 1976, an increase of $0.63 over the $2.14 per share in 1975, and $0.45 over the previous record of $2.32 per share in the fourth quarter of 1972.

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Statement of Consolidated Income

General Motors Corporation
and Consolidated Subsidiaries

For The Years Ended December 31, 1976 and 1975
(Dollars in Millions Except Per Share Amounts)

	1976	1975
Net Sales	$47,181.0	$35,724.9
Equity in earnings of nonconsolidated subsidiaries and associates (dividends received amounted to $83.8 in 1976 and $67.6 in 1975)	184.7	136.6
Other income less income deductions—net (Note 2)	271.9	(147.7)
Total	47,637.6	35,713.8
Costs and Expenses		
Cost of sales and other operating charges, exclusive of items listed below	38,031.4	29,889.7
Selling, general and administrative expenses	1,759.7	1,333.7
Depreciation of real estate, plants and equipment	939.3	906.1
Amortization of special tools	1,296.9	1,180.1
Provision for the Incentive Program (Note 3)	139.7	32.9
United States, foreign and other income taxes (Note 5)	2,567.8	1,118.2
Total	44,734.8	34,460.7
Net Income	2,902.8	1,253.1
Dividends on preferred stocks	12.9	12.9
Earned on Common Stock	$ 2,889.9	$ 1,240.2
Average number of shares of common stock outstanding (in millions)	286.7	286.8
Earned Per Share of Common Stock (Note 6)	$10.08	$4.32

Reference should be made to notes on pages 15 through 19.

Consolidated Balance Sheet

December 31, 1976 and 1975
(Dollars in Millions)

Assets	1976	1975
Current Assets		
Cash	$ 427.8	$ 357.4
United States and other government securities and time deposits—at cost, which approximates market:		
Held for payment of income taxes	1,519.5	788.0
Other	2,677.6	2,237.4
Accounts and notes receivable (Note 7)	3,959.1	3,342.7
Inventories	6,327.8	5,690.9
Prepaid expenses	560.8	423.1
Total Current Assets	15,472.6	12,839.5
Investments and Miscellaneous Assets		
Equity in net assets of nonconsolidated subsidiaries and associates (Note 8)	1,693.7	1,498.8
Other investments and miscellaneous assets—at cost (less allowances)	178.5	125.4
Total Investments and Miscellaneous Assets	1,872.2	1,624.2
Common Stock Held for the Incentive Program (Note 3)	99.6	62.6
Property		
Real estate, plants and equipment (Note 10)	18,192.1	17,503.6
Less accumulated depreciation (Note 10)	11,883.0	11,161.3
Net real estate, plants and equipment	6,309.1	6,342.3
Special tools—less amortization	652.0	640.5
Total Property	6,961.1	6,982.8
Deferred Charges		
Goodwill—less amortization	24.2	26.1
Other deferred charges	12.7	22.0
Total Deferred Charges	36.9	48.1
Total Assets	$24,442.4	$21,557.2

Reference should be made to notes on pages 15 through 19.

Certain amounts for 1975 have been reclassified to reflect comparability with classifications for 1976.

Liabilities and Stockholders' Equity	1976	1975
Current Liabilities		
Accounts, drafts and loans payable	$ 3,067.4	$ 3,187.0
United States, foreign and other income taxes payable	1,651.5	842.1
Accrued liabilities	3,197.1	2,416.4
Total Current Liabilities	7,916.0	6,445.5
Long-Term Debt (less unamortized discount) (Note 11)	1,069.8	1,223.0
Other Liabilities	592.0	435.3
Deferred Credits		
Deferred investment tax credits	286.2	241.0
Contingent credits under Stock Option Plan	6.9	8.1
Other (principally deferred income taxes)	186.3	121.9
Total Deferred Credits	479.4	371.0
Stockholders' Equity (Notes 3 and 12)		
Capital stock:		
Preferred:		
$5.00 series	183.6	183.6
$3.75 series	100.0	100.0
Common	479.4	479.3
Total capital stock	763.0	762.9
Capital surplus (principally additional paid-in capital)	770.3	767.0
Net income retained for use in the business	12,851.9	11,552.5
Total Stockholders' Equity	14,385.2	13,082.4
Total Liabilities and Stockholders' Equity	$24,442.4	$21,557.2

Statement of Changes in Consolidated Financial Position

General Motors Corporation
and Consolidated Subsidiaries

For The Years Ended December 31, 1976 and 1975
(Dollars in Millions)

	1976	1975
Source of Funds		
Net income	$2,902.8	$1,253.1
Depreciation of real estate, plants and equipment	939.3	906.1
Amortization of special tools	1,296.9	1,180.1
Deferred income taxes, undistributed earnings of nonconsolidated subsidiaries and associates, etc.—net	56.2	65.7
Total current operations	5,195.2	3,405.0
Proceeds from disposals of property—net	92.8	97.7
Proceeds from issuance of long-term debt	128.6	752.8
Proceeds from sale of newly issued common stock	3.4	—
Other—net	29.1	(46.2)
Total	5,449.1	4,209.3
Application of Funds		
Dividends paid to stockholders	1,603.4	701.3
Expenditures for real estate, plants and equipment	998.9	1,200.9
Expenditures for special tools	1,308.4	1,035.6
Retirements of long-term debt	281.8	406.3
Investments in nonconsolidated subsidiaries and associates	94.0	13.1
Total	4,286.5	3,357.2
Increase in working capital	1,162.6	852.1
Working capital at beginning of the year	6,394.0	5,541.9
Working capital at end of the year	$7,556.6	$6,394.0
Increase (Decrease) in Working Capital by Element		
Cash, government securities and time deposits	$1,242.1	$2,044.4
Accounts and notes receivable	616.4	341.9
Inventories	636.9	(713.8)
Prepaid expenses	137.7	116.8
Accounts, drafts and loans payable	119.6	(181.1)
United States, foreign and other income taxes payable	(809.4)	(484.3)
Accrued liabilities	(780.7)	(271.8)
Increase in working capital	$1,162.6	$ 852.1

Reference should be made to notes on pages 15 through 19.

Note 1. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and all domestic and foreign subsidiaries which are more than 50% owned and engaged principally in manufacturing or wholesale marketing of General Motors products. General Motors' share of earnings or losses of nonconsolidated subsidiaries and of associates in which at least 20% of the voting securities is owned is generally included in consolidated income under the equity method of accounting. Intercompany items and transactions between companies included in the consolidation are eliminated and unrealized intercompany profits on sales to nonconsolidated subsidiaries and to associates are deferred.

Income Taxes

Investment tax credits allowable under the income tax laws are deducted in determining taxes estimated to be payable currently and are deferred and amortized over the lives of the related assets. The tax effects of timing differences between pretax accounting income and taxable income (principally related to depreciation, benefit plans expense, sales and product allowances and undistributed earnings of subsidiaries and associates) are deferred, except that the tax effects of certain expenses charged to income prior to 1968 have not been deferred but are recognized in income taxes provided at the time such expenses become allowable deductions for tax purposes. Provisions are made for estimated United States and foreign taxes, less available tax credits and deductions, which may be incurred on remittance of the Corporation's share of subsidiaries' and associates' undistributed earnings included in the consolidated financial statements.

Inventories

Inventories are stated generally at cost, which is not in excess of market. The cost of substantially all domestic inventories at December 31, 1976 was determined by the last-in, first-out (LIFO) method. The cost of inventories outside the United States was determined generally by the first-in, first-out (FIFO) or the average cost method.

If December 31, 1976 inventory costs had been determined substantially by the FIFO or the average cost method (used prior to 1976), rather than the LIFO method, it is estimated that such amounts would have increased by $299.5 million.

Property, Depreciation and Amortization

Property is stated at cost. Maintenance, repairs, rearrangement expenses and renewals and betterments which do not enhance the value or increase the basic productive capacity of the assets are charged to costs and expenses as incurred.

Depreciation is provided on groups of property using, with minor exceptions, an accelerated method which accumulates depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated lives of the property. The annual group rates of depreciation are as follows:

Classification of Property	*Annual Group Rates*
Land improvements	5%
Buildings	3½%
Machinery and equipment	8⅓% (Average)
Furniture and office equipment	6% (Average)

Expenditures for special tools are amortized, with the amortization applied directly to the asset account, over short periods of time because the utility value of the tools is radically affected by frequent changes in the design of the functional components and appearance of the product. Replacement of special tools for reasons other than changes in products is charged directly to cost of sales.

Goodwill

Goodwill represents the excess of the cost over the value ascribed to the net tangible assets of businesses acquired and is amortized over ten years with the amortization applied directly to the asset account. Amortization amounted to $6.8 million in 1976 and $6.4 million in 1975.

Pension Program

The Corporation and its subsidiaries have a number of pension plans covering substantially all employes. Benefits under the plans are generally related to an employe's length of service, wages and salaries, and, where applicable, contributions. The costs of these plans are determined on the basis of actuarial cost methods and include amortization of prior service cost over periods not exceeding 30 years. With the exception of certain overseas subsidiaries, pension costs accrued are funded.

Product Related Expenses

Expenditures for advertising and sales promotion and for other product related expenses are charged to costs and expenses as incurred; provisions for estimated costs related to product warranty are made at the time the products are sold.

Expenditures for research and development are charged to expenses as incurred and amounted to $1,257.3 million in 1976 and $1,113.9 million in 1975.

Accounting Changes

In the first quarter of 1976, the Corporation implemented the Statement of the Financial Accounting Standards Board on Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements (FASB No. 8).

The effect of the adoption of this Statement in both the current and prior periods was not material, thus no restatement of prior years' results was necessary. The net effect of FASB No. 8 was to increase earnings by $0.28 per share in 1976. In prior years, accumulated unrealized net translation gains were deferred.

The Corporation also adopted the last-in, first-out (LIFO) method of inventory valuation for substantially all domestic inventories for the 1976 calendar year. Accordingly, a provision which reduced earnings by $0.50 per share is reflected in the calendar year results. This change was implemented in order to match current costs with current revenues, and to partially offset the effect of inflation on earnings. Adoption of LIFO in 1976 did not affect prior years' financial results and, therefore, prior years' earnings have not been restated.

Note 2. Other Income Less Income Deductions (Dollars in Millions)

	1976	1975
Other income:		
Interest income	$274.6	$132.7
Gains (Losses) on foreign exchange	244.7	(32.1)
Other	40.1	47.2
Income deductions:		
Interest on long-term debt	(101.5)	(103.5)
Other interest	(182.5)	(190.4)
Other	(3.5)	(1.6)
Net	$271.9	($147.7)

Note 3. Incentive Program

The Incentive Program consists of the General Motors Bonus Plan, first approved by stockholders in 1918, and the General Motors Stock Option Plan, adopted in 1957. The By-Laws provide that the Plans shall be presented for action at a stockholders' meeting at least once in every five years. Both Plans were last approved by the stockholders at the 1972 Annual Meeting. The Program will be submitted to the stockholders at the Annual Meeting to be held on May 20, 1977.

The Corporation maintains a reserve for purposes of the Bonus Plan and the Stock Option Plan, to which may be credited each year an amount which the independent public accountants of the Corporation determine to be 8% of the net earnings which exceed 7% but not 15% of net capital, plus 5% of the net earnings which exceed 15% of net capital, but not in excess of the amount paid out as dividends on the common stock during the year. However, for any year the Bonus and Salary Committee may direct that a lesser amount be credited. Bonus awards under the Bonus Plan, contingent credits under the Stock Option Plan, and such other amounts arising out of the operation of the Incentive Program as the Committee may determine are charged to the reserve.

For the year 1976, the Bonus and Salary Committee directed a credit to the Reserve for Bonus Plan and Stock Option Plan of $139.7 million (the maximum permitted under the Bonus Plan formula as determined by the independent public accountants) as set forth in the following table:

(Dollars in Millions Except Per Share Amount)

Computation of Net Capital	
Stockholders' equity and long-term debt of General Motors Corporation at December 31, 1975	$13,812.1
Add proportionate allowance for changes during 1976 in capital stock, capital surplus and long-term debt	2.0
Net capital (as defined in the Bonus Plan)	$13,814.1
Computation of Net Earnings	
Net income for 1976	$ 2,902.8
Add provision for Bonus Plan and Stock Option Plan	139.7
Add interest on long-term debt	56.2
Deduct loss of rights to prior years' bonus awards and contingent credits	.8
Deduct prior unawarded bonus reserve restored to income	.6
Net earnings (as defined in the Bonus Plan)	3,097.3
Deduct 7% of net capital (equivalent to $3.14 per share of common stock)	966.9
Net earnings for bonus credit calculation	$ 2,130.4
Maximum Amount Which Could be Credited to Reserve	
8% of the net earnings between 7% and 15% of net capital	$ 88.4
5% of the net earnings which exceed 15% of net capital	51.3
Total amount available in the reserve for awards under the Bonus Plan and for contingent credits under the Stock Option Plan	$ 139.7

As indicated in the preceding table, the total unawarded reserve carried forward from 1975 in the amount of $0.6 million was, in accordance with action taken by the Bonus and Salary Committee, restored to income in 1976, but was not included in net earnings for that year in determining the provision for the Bonus Plan and Stock Option Plan. As a result, the total amount available for distribution will be the aforementioned $139.7 million. Subject to final determination, the Committee has tentatively directed that the total of individual awards shall approximate the amount of the credit to the reserve related to 1976. As a result of tentative determinations of awards by the Committee, the amount provided was transferred to current liabilities and other liabilities at December 31, 1976.

If Bonus and Stock Option Plan participants fail to meet conditions precedent to receiving undelivered instalments of bonus awards and contingent credits, the amount of any such instalments is credited to income. Upon the exercise of stock options, the related contingent credits are proportionately reduced and the amount of the reduction is credited to income.

Changes during 1976 in the status of options granted under the Stock Option Plan are shown in the following table. The option prices are 100% of the average of the highest and lowest sales prices of General Motors common stock on the dates the options were granted as reported (1) on the New York Stock Exchange for options granted in 1973 and 1974, and (2) on the Composite Tape of transactions on all major exchanges and non-exchange markets in the U.S. for options granted in 1976. The options outstanding at December 31, 1976 expire ten years from date of grant. All options are subject to earlier termination under certain conditions.

The Corporation intends to deliver newly issued stock upon the exercise of any of the outstanding options. The maximum number of shares for which additional options might be granted under the Plan was 2,657,593 at January 1, 1976 and 2,544,841 at December 31, 1976.

		Shares Under Option				
			Changes During Year			
Year Granted	Option Price	Jan. 1, 1976	Granted	Exercised	Terminated	Dec. 31, 1976
1973	$73.38	229,896	—	—	27,642	202,254
1974	50.00	318,816	—	57,106	7,614	254,096
1976	65.19	—	150,258	—	2,250	148,008
Total		548,712	150,258	57,106	37,506	604,358

Common stock held for the Incentive Program is exclusively for payment of liabilities under the Incentive Program and is stated substantially at cost.

	1976		1975	
(Dollars in Millions)	Shares	Amount	Shares	Amount
Balance at Jan. 1	941,979	$62.6	1,223,166	$86.7
Acquired during the year	979,521	67.8	233,326	12.9
Delivered to participants	(463,871)	(30.8)	(514,513)	(37.0)
Balance at Dec. 31	1,457,629	$99.6	941,979	$62.6

Note 4. Pension Program

The total pension expense of the Corporation and its consolidated subsidiaries amounted to $1,071.2 million in 1976 and $969.1 million in 1975. Late in 1976, the plans in the United States and Canada were amended, subject to stockholders' approval and favorable income tax rulings, to provide for increased benefits. Including these increased benefits, the actuarially computed value of vested benefits of all plans exceeded the total of pension funds, at market, and balance sheet accruals as of December 31, 1976, by about $3.0 billion. In the United States, the market value of trusteed pension funds totaled $6,105.7 million, and assets held under the insured part of the salaried employes' program totaled $1,965.0 million at December 31, 1976.

Note 5. United States, Foreign and Other Income Taxes (Dollars in Millions)

	1976	1975
Taxes payable currently(a):		
United States Federal	$2,007.2	$ 857.0
Foreign	335.3	143.6
Other	228.7	140.2
Total	2,571.2	1,140.8
Taxes deferred—net:		
United States Federal	(26.2)	(92.9)
Foreign	(21.6)	35.6
Other	(.8)	(17.2)
Total	(48.6)	(74.5)
Investment tax credits deferred—net:		
United States Federal	43.6	52.2
Foreign	1.6	(.3)
Total	45.2	51.9
Total	$2,567.8	$1,118.2

(a) Investment tax credits deducted in determining taxes estimated to be payable currently amounted to $127.5 million in 1976 and $95.3 million in 1975.

Note 6. Earnings Per Share

Earnings per share of common stock are based on the average number of shares outstanding during each year. The effect on earnings per share resulting from the assumed exercise of outstanding options and delivery of bonus awards and contingent credits under the Incentive Program is not material.

Note 7. Accounts and Notes Receivable (Dollars in Millions)

	1976	1975
GMAC and subsidiaries (relating to current wholesale financing of sales of GM products, etc.)	$2,173.8	$1,639.4
Other trade and sundry receivables (less allowances)	1,785.3	1,703.3
Total	$3,959.1	$3,342.7

Note 8. Equity in Net Assets of Nonconsolidated Subsidiaries and Associates (Dollars in Millions)

	1976	1975
Nonconsolidated subsidiaries:		
GMAC and subsidiaries (Note 9)	$1,434.8	$1,250.6
Dealerships (retail companies)	115.6	118.4
Other domestic and foreign subsidiaries	51.6	46.2
Associates (interests in overseas companies)	91.7	83.6
Total	$1,693.7	$1,498.8

Note 9. General Motors Acceptance Corporation and Subsidiaries Condensed Consolidated Balance Sheet (Dollars in Millions)

	1976	1975
Cash	$ 279.4	$ 247.3
Marketable Securities (market value, 1976—$353.3; 1975—$347.1)	293.6	313.0
Finance Receivables (including instalments maturing after one year: 1976—$6,690.9; 1975—$5,403.8; less unearned income: 1976—$1,256.3; 1975—$1,026.5 and allowance for financing losses: 1976—$164.5; 1975—$145.4)	18,696.4	15,561.6
Insurance Receivables	34.4	25.9
Unamortized Debt Expense	36.0	22.7
Other Assets	92.4	66.4
Total Assets	$19,432.2	$16,236.9
Notes, Loans and Debentures Payable Within One Year (less unamortized discount)	$ 8,605.3	$ 7,813.0
Accounts Payable and Other Liabilities		
General Motors Corporation and affiliated companies	2,173.8	1,639.4
Other	707.1	580.5
Total Accounts Payable and Other Liabilities	2,880.9	2,219.9
Notes, Loans and Debentures Payable After One Year (maturing prior to 2002—less unamortized discount)	5,201.6	3,988.4
Subordinated Indebtedness Payable After One Year (maturing prior to 1993—less unamortized discount)	1,309.6	965.0
Total Liabilities	17,997.4	14,986.3
Stockholder's Equity		
Preferred stock, $100 par value (authorized and outstanding, 1,100,000 shares):		
6% cumulative	75.0	75.0
7¼% cumulative	35.0	35.0
Common stock, $100 par value (authorized and outstanding, 1976—6,150,000 shares; 1975—5,150,000 shares)	615.0	515.0
Net income retained for use in the business:		
Balance at beginning of the year	625.6	562.3
Net income	161.2	125.3
Total	786.8	687.6
Cash dividends	77.0	62.0
Balance at end of the year	709.8	625.6
Total Stockholder's Equity	1,434.8	1,250.6
Total Liabilities and Stockholder's Equity	$19,432.2	$16,236.9

Note 10. Real Estate, Plants and Equipment and Accumulated Depreciation (Dollars in Millions)

	1976	1975
Real estate, plants and equipment:		
Land	$ 250.5	$ 248.0
Land improvements	613.1	589.5
Leasehold improvements—less amortization	23.8	28.4
Buildings	4,372.0	4,291.9
Machinery and equipment	12,303.0	11,586.6
Furniture and office equipment	180.4	157.2
Construction in progress	449.3	602.0
Total	$18,192.1	$17,503.6
Accumulated depreciation:		
Land improvements	$ 381.6	$ 358.0
Buildings	2,627.6	2,477.3
Machinery and equipment	8,726.2	8,183.1
Furniture and office equipment	98.3	93.6
Extraordinary obsolescence	49.3	49.3
Total	$11,883.0	$11,161.3

Note 11. Long-Term Debt (Excluding Current Portion) (Dollars in Millions)

		1976	1975
GM—U.S. dollars:			
8.05% Notes	1985	$ 300.0	$ 300.0
8⅝% Debentures	2005	300.0	300.0
Other	1978-2000	137.3	127.1
Consolidated subsidiaries:			
United States dollars	1978-86	254.0	355.0
British pounds	1978-92	50.2	52.6
German marks	1979	10.6	72.6
Mexican pesos	1978-79	5.4	—
Luxembourg francs	1978	4.2	—
Brazilian cruzeiros	1978-82	3.1	4.5
South African rands	1978-2004	3.1	2.5
French francs	1978-79	2.3	7.5
Other currencies	1978-82	6.5	8.5
Total		1,076.7	1,230.3
Less unamortized discount		6.9	7.3
Total		$1,069.8	$1,223.0

Maturities of long-term debt at December 31, 1976 for each of the five years through 1981 are (in millions): 1977—$124.3 (included in current liabilities); 1978—$88.0; 1979—$138.5; 1980—$33.9; and 1981—$33.2.

Note 12. Stockholders' Equity (Dollars in Millions Except Per Share Amounts)

	1976	1975
Capital Stock:		
Preferred Stock, without par value (authorized, 6,000,000 shares), no change during the year:		
$5.00 series, stated value $100 per share, redeemable at $120 per share (issued, 1,875,366 shares; in treasury, 39,722 shares; outstanding, 1,835,644 shares)	$ 183.6	$ 183.6
$3.75 series, stated value $100 per share, redeemable at $100 per share (issued and outstanding, 1,000,000 shares)	100.0	100.0
Common Stock, $1⅔ par value (authorized, 500,000,000 shares):		
Issued at beginning of the year (287,617,041 shares in 1976 and 1975)	479.3	479.3
Newly issued stock sold under provisions of the Stock Option Plan (57,106 shares in 1976)	.1	—
Issued at end of the year (287,674,147 shares in 1976 and 287,617,041 shares in 1975)	479.4	479.3
Total capital stock at end of the year	763.0	762.9
Capital Surplus (principally additional paid-in capital):		
Balance at beginning of the year	767.0	767.0
Proceeds in excess of par value of newly issued common stock sold under provisions of the Stock Option Plan	3.3	—
Balance at end of the year	770.3	767.0
Net Income Retained for Use in the Business:		
Balance at beginning of the year	11,552.5	11,000.7
Net income	2,902.8	1,253.1
Total	14,455.3	12,253.8
Cash dividends:		
Preferred stock, $5.00 series, $5.00 per share	9.2	9.2
Preferred stock, $3.75 series, $3.75 per share	3.7	3.7
Common stock, $5.55 per share in 1976 and $2.40 per share in 1975	1,590.5	688.4
Total cash dividends	1,603.4	701.3
Balance at end of the year	12,851.9	11,552.5
Total Stockholders' Equity	$14,385.2	$13,082.4

Note 13. Foreign Operations

Net assets and net sales attributable to operations outside the United States and Canada, included in the consolidated financial statements, are summarized on page 19. Net sales include sales to United States and Canadian operations. Net income for 1976 amounted to $357.2 million, compared with $72.4 million in 1975, and is after provisions for deferred income taxes on unremitted earnings of such foreign operations and other consolidation adjustments. The 1976 net income includes earnings attributable to the major overseas manufacturing subsidiaries, as follows: Adam Opel AG, $291.1 million; Vauxhall Motors Ltd., $17.5 million; and GM-Holden's Ltd., $0.5 million.

Note 13. Foreign Operations (concluded)

In the first quarter of 1976, the Corporation implemented the Statement of the Financial Accounting Standards Board on Accounting for Contingencies (FASB No. 5). Accordingly, the former General Reserve Applicable to Foreign Operations has been redesignated as an Allowance for Losses on Foreign Investments and the allowance adjusted to an amount considered sufficient to meet current estimates of the probable losses on foreign investments. A portion of the allowance has been reclassified to reduce the net carrying value of certain impaired property to its estimated recoverable value, with the remainder of the allowance being included in other liabilities. The Corporation's foreign investments are reviewed on a continuing basis and the Allowance for Losses on Foreign Investments adjusted accordingly.

Attributable to Operations Outside the United States and Canada:

	December 31, 1976					
	Europe	Australia, New Zealand and East Asia	Latin America	Middle East and Africa	Total	December 31, 1975 Total
Assets:			(Dollars in Millions)			
Total current assets	$1,734.5	$ 377.9	$ 515.2	$141.2	$2,768.8	$2,716.6
Real estate, plants and equipment	1,997.0	429.2	508.0	75.6	3,009.8	2,911.2
Accumulated depreciation	(1,469.4)	(319.7)	(177.6)	(54.6)	(2,021.3)	(1,941.0)
Special tools—less amortization	215.6	39.7	36.6	8.1	300.0	222.0
Other assets	67.5	85.2	69.7	18.1	240.5	209.5
Total assets	2,545.2	612.3	951.9	188.4	4,297.8	4,118.3
Liabilities:						
Loans payable	207.0	62.9	293.4	47.0	610.3	737.1
Other current liabilities	825.7	134.2	227.0	24.6	1,211.5	1,035.5
Total current liabilities	1,032.7	197.1	520.4	71.6	1,821.8	1,772.6
Long-term debt of subsidiaries	69.9	97.1	153.3	17.3	337.6	407.0
Other liabilities and deferred credits	359.0	35.4	44.6	10.6	449.6	416.5
Total liabilities	1,461.6	329.6	718.3	99.5	2,609.0	2,596.1
Net Assets	$1,083.6	$ 282.7	$ 233.6	$ 88.9	$1,688.8	$1,522.2
Net Sales	$5,022.7	$1,039.1	$1,326.4	$230.9	$7,495.2*	$7,227.3*

*After elimination of interarea sales

Note 14. Contingent Liabilities

There are various claims and pending actions against the Corporation and its subsidiaries in respect of commercial matters, including warranties and product liability, governmental regulations including environmental and safety matters, civil rights, patent matters, taxes and other matters arising out of the conduct of the business. Certain of these actions purport to be class actions, seeking damages in very large amounts. The amounts of liability on these claims and actions at December 31, 1976 were not determinable but, in the opinion of the management, the ultimate liability resulting will not materially affect the consolidated financial position or results of operations of the Corporation and its consolidated subsidiaries.

Accountants' Report

Haskins & Sells
Certified Public Accountants

1114 Avenue of the Americas
New York 10036

General Motors Corporation, its Directors and Stockholders:

February 16, 1977

We have examined the Consolidated Balance Sheet of General Motors Corporation and consolidated subsidiaries as of December 31, 1976 and 1975 and the related Statements of Consolidated Income and Changes in Consolidated Financial Position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies at December 31, 1976 and 1975 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period, except for the change in 1976, with which we concur, in the method of stating certain inventories as described in Note 1 to the Financial Statements.

Haskins & Sells

Supplementary Information

Lines of Business

General Motors is a highly integrated business engaged primarily in the manufacture, assembly and distribution of motor-driven products, most of which relate to transportation equipment, which are classified as automotive, nonautomotive and defense and space. The major portion of General Motors products is marketed through independent dealers in the United States and Canada and through independent distributors and retail dealers overseas, who operate under selling agreements. To assist in the merchandising of General Motors products, General Motors Acceptance Corporation and its subsidiaries offer financial services and certain types of automobile insurance to dealers and customers. The amount of net sales by classes of products attributable to United States operations and the amount of net sales attributable to Canadian and overseas operations are summarized for the five years ended December 31, 1976 as follows:

	1976	1975	1974	1973	1972
	(Dollars in Millions)				
Net Sales Attributable to:					
United States operations					
Automotive products	$37,069.6	$26,137.3	$23,446.7	$28,116.6	$23,894.8
Nonautomotive products	2,277.0	2,392.8	2,210.2	1,938.8	1,705.2
Defense and space	438.1	387.7	359.1	316.4	321.9
Total United States operations	39,784.7	28,917.8	26,016.0	30,371.8	25,921.9
Canadian operations	5,263.0	4,263.3	3,693.7	3,116.0	2,489.1
Overseas operations	7,495.2	7,227.3	5,968.8	5,779.0	4,741.4
Elimination of intercompany sales	(5,361.9)	(4,683.5)	(4,129.0)	(3,468.5)	(2,717.2)
Total	$47,181.0	$35,724.9	$31,549.5	$35,798.3	$30,435.2

Because of the high degree of integration, substantial interdivisional and intercompany transfers of materials and services are made. Consequently, any determination of income by the classes of products or areas of operations shown above is necessarily arbitrary because of the allocation and reallocation of costs, including corporate costs, benefiting more than one division or product. Within these limitations, the Corporation estimates that the percentage of net income attributable to the United States, Canadian and overseas operations for the five years ended December 31, 1976 is as follows:

Percentage of Net Income Attributable to:	1976	1975	1974	1973	1972
United States operations					
Automotive products	79%	77%	81%	84%	85%
Other products	3	8	8	2	3
Total United States operations	82	85	89	86	88
Canadian operations	6	9	11	5	4
Overseas operations	12	6	—	9	8
Total	100%	100%	100%	100%	100%

Selected Quarterly Data

	1976 Quarters				1975 Quarters			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Dollars in Millions								
Net sales	$11,421.9	$12,527.1	$10,161.9	$13,070.1	$7,607.6	$9,295.2	$8,298.9	$10,523.2
Net income	800.5	909.0	396.5	796.8	59.2	332.6	243.3	618.0
Per Share Amounts								
Earned	2.78	3.16	1.37	2.77	0.20	1.14	0.84	2.14
Dividends	0.60	1.10	0.85	3.00	0.60	0.60	0.60	0.60
Stock Price Range*								
High	70.25	72.75	73.88	78.88	45.88	48.88	53.88	59.13
Low	57.75	66.13	63.13	67.25	31.25	39.63	46.00	49.38

*Based on prices on the New York Stock Exchange, the principal market, for 1975 and the Composite Tape for 1976.

Replacement Cost Information

In compliance with regulations of the Securities and Exchange Commission, the Corporation will include certain estimated replacement cost information for worldwide inventories, property, cost of sales, depreciation of real estate, plants and equipment, and amortization of special tools in its Form 10-K report to be filed with the Commission. Stockholders who wish to obtain such information should request a copy of Form 10-K in accordance with the instructions on page 1.

Summary of Operations (Dollars in Millions Except Per Share Amounts)

	1976	1975	1974	1973	1972
Net sales	$47,181.0	$35,724.9	$31,549.5	$35,798.3	$30,435.2
Equity in earnings of nonconsolidated subsidiaries and associates, and other income—net	456.6	(11.1)	121.1	253.7	174.8
Cost of sales and selling, general and administrative expenses, exclusive of items listed below	39,791.1	31,223.4	28,282.5	29,442.2	24,499.4
Depreciation of real estate, plants and equipment	939.3	906.1	846.6	902.9	912.4
Amortization of special tools	1,296.9	1,180.1	858.4	1,081.0	874.2
Provision for the Incentive Program	139.7	32.9	5.9	112.8	101.4
United States, foreign and other income taxes	2,567.8	1,118.2	727.1	2,115.0	2,059.8
Net income	2,902.8	1,253.1	950.1	2,398.1	2,162.8
Dividends on preferred stocks	12.9	12.9	12.9	12.9	12.9
Earned on common stock	2,889.9	1,240.2	937.2	2,385.2	2,149.9
Dividends on common stock	1,590.5	688.4	973.3	1,501.3	1,273.1
Net income retained in the year	$ 1,299.4	$ 551.8	($ 36.1)	$ 883.9	$ 876.8
Net income—percent of sales	6.2%	3.5%	3.0%	6.7%	7.1%
—percent of stockholders' equity	20.8%	10.0%	7.6%	19.2%	19.2%
Earned on common stock—per share	$ 10.08	$ 4.32	$ 3.27	$ 8.34	$ 7.51
Dividends on common stock—per share	5.55	2.40	3.40	5.25	4.45
Net income retained in the year—per share	$ 4.53	$ 1.92	($ 0.13)	$ 3.09	$ 3.06
Average shares of common stock outstanding (in millions)	286.7	286.8	286.3	286.0	286.1
Dividends on capital stock as a percent of net income	55.2%	56.0%	103.8%	63.1%	59.5%

Management's discussion and analysis of operations for 1976, 1975, 1974 and 1973 appear on pages 8 and 9. The impact of inflation is discussed in the letter to stockholders on page 2.

Additional Statistics (Dollars in Millions Except Per Share Amounts)

	1976	1975	1974	1973	1972
Expenditures for real estate, plants and equipment	$ 998.9	$ 1,200.9	$ 1,458.5	$ 1,163.4	$ 940.0
Expenditures for special tools	$ 1,308.4	$ 1,035.6	$ 1,095.6	$ 941.0	$ 898.5
Worldwide payrolls	$12,908.5	$10,028.4	$ 9,771.4	$10,308.5	$ 8,668.2
Worldwide average number of employes (in thousands)	748	681	734	811	760
Common and preferred stockholders—Number (in thousands)	1,251	1,323	1,348	1,306	1,285
—Equity	$14,385.2	$13,082.4	$12,530.6	$12,566.8	$11,682.9
Book value per share of common stock	$ 49.02	$ 44.50	$ 42.58	$ 42.71	$ 39.64
Working capital	$ 7,556.6	$ 6,394.0	$ 5,541.9	$ 6,196.9	$ 5,564.8

Factory Sales of Cars and Trucks, including export shipments (Units in Thousands)

	1976	1975	1974	1973	1972
Manufactured in the United States					
Passenger cars	4,883	3,680	3,592	5,251	4,778
Trucks and coaches	1,335	978	1,086	1,261	963
Total Manufactured in the United States	6,218	4,658	4,678	6,512	5,741
Manufactured in Canada	715	595	642	580	459
Manufactured Overseas*	1,635	1,376	1,370	1,592	1,591
Total Factory Sales of Cars and Trucks—All Sources	8,568	6,629	6,690	8,684	7,791
*Includes units manufactured by Isuzu Motors Limited under contract for and marketed by GM	129	86	63	43	39

1976 Public Interest Report

Additional information on GM operations during 1976 in such areas as automotive emissions and fuel economy, automotive safety, industrial energy management, alternative auto engine developments, overseas operations, public transportation, equal employment opportunities, and environmental control programs will be available in a supplemental booklet "1976 General Motors Public Interest Report" after April 1. Stockholders wishing to receive a copy of this booklet may write to: General Motors Corporation, Room 11-229, General Motors Building, Detroit, Michigan 48202.

Board of Directors

HARLLEE BRANCH, JR.
Former Chairman of the Board,
The Southern Company
(Electric Utilities)
Director—12 Years

CATHERINE B. CLEARY
Chairman of the Board,
First Wisconsin Trust Company
(Trust Services)
Director—4 Years

JOHN T. CONNOR
Chairman of the Board,
Allied Chemical Corporation
(Chemical, Fabricated and Energy Products)
Director—11 Years

JOHN D. deBUTTS
Chairman of the Board,
American Telephone and Telegraph Company
(Communications)
Joined Board in 1976

ELLIOTT M. ESTES
President and Chief Operating Officer
Service—42 Years
Director—4 Years

WALTER A. FALLON
Chairman of the Board,
Eastman Kodak Company
(Photographic Equipment,
Chemicals and Fibers)
Director—4 Years

CHARLES T. FISHER, III
President,
National Bank of Detroit
(Banking)
Director—5 Years

RICHARD C. GERSTENBERG
Former Chairman,
Board of Directors
Director—9 Years

ROBERT S. HATFIELD
Chairman of the Board,
The Continental Group, Inc.
(Packaging Products)
Director—3 Years

REUBEN R. JENSEN
Executive Vice President
Overseas Operations and
Power and Appliance Group
Service—31 Years
Director—2 Years

HOWARD H. KEHRL
Executive Vice President
Technical Center Staffs
Service—29 Years
Director—2 Years

JOHN A. MAYER
Former Chairman of the Board,
Mellon Bank N.A.
(Banking)
Director—8 Years

F. JAMES McDONALD
Executive Vice President
North American Automotive Operations
Service—36 Years
Director—2 Years

W. EARLE McLAUGHLIN
Chairman and President,
The Royal Bank of Canada
(Banking)
Director—10 Years

HOWARD J. MORGENS
Chairman of the Executive Committee,
The Procter & Gamble Company
(Household and Industrial Products)
Director—14 Years

THOMAS A. MURPHY
Chairman, Board of Directors
and Chief Executive Officer
Service—39 Years
Director—5 Years

ELLMORE C. PATTERSON
Chairman of the Board,
Morgan Guaranty
Trust Company of New York
(Banking)
Director—3 Years

JAMES M. ROCHE
Former Chairman,
Board of Directors
Director—14 Years

GERALD A. SIVAGE
Chairman of the Executive Committee,
Marshall Field & Company
(Retail Merchandising)
Director—7 Years

J. STANFORD SMITH
Chairman of the Board,
International Paper Company
(Paper and Wood Products)
Joined Board in 1976

ROGER B. SMITH
Executive Vice President
Financial, Industry-Government
Relations and Public Relations Staffs
Service—28 Years
Director—2 Years

LEON H. SULLIVAN
Pastor, Zion Baptist Church
of Philadelphia
Director—6 Years

RICHARD L. TERRELL
Vice Chairman, Board of Directors
Service—39 Years
Director—4 Years

CHARLES H. TOWNES
Professor, University of California
(Physics)
Director—3 Years

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Vice Chairman
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JOHN D. deBUTTS
W. EARLE McLAUGHLIN
LEON H. SULLIVAN
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JOHN D. deBUTTS
ROBERT S. HATFIELD
LEON H. SULLIVAN
CHARLES H. TOWNES

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Chairman
JOHN T. CONNOR
WALTER A. FALLON
RICHARD C. GERSTENBERG
JOHN A. MAYER
JAMES M. ROCHE

NOMINATING

JOHN T. CONNOR
Chairman
WALTER A. FALLON
JOHN A. MAYER
HOWARD J. MORGENS
ELLMORE C. PATTERSON
GERALD A. SIVAGE

Executive Committee Left to right. Standing: R. R. Jensen, R. B. Smith, H. H. Kehrl, F. J. McDonald
Seated: E. M. Estes, T. A. Murphy, R. L. Terrell

Officers

THOMAS A. MURPHY
Chairman and Chief
Executive Officer

ELLIOTT M. ESTES
President and Chief
Operating Officer

RICHARD L. TERRELL
Vice Chairman

EXECUTIVE VICE PRESIDENTS

REUBEN R. JENSEN

HOWARD H. KEHRL

F. JAMES MCDONALD

ROGER B. SMITH

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Electrical Components Group

ROBERT W. DECKER
Mechanical Components Group

GEORGE R. ELGES
Car and Truck Group

JOSEPH E. GODFREY
Body and Assembly Divisions Group

HAROLD L. SMITH, JR.
Power and Appliance Group

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Sales

PAUL F. CHENEA
Research Laboratories

PATRICK J. COLETTA*
Manufacturing Staff

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General Manager
Buick Motor Division

ROBERT J. COOK
General Manager
Oldsmobile Division

ALEXANDER A. CUNNINGHAM
General Manager
General Motors Overseas
Operations Division

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Procurement, Production
Control and Logistics Staff

ANTHONY G. DE LORENZO
Public Relations Staff

HENRY L. DUNCOMBE, JR.
Chief Economist

STEPHEN H. FULLER
Personnel Administration and
Development Staff

FRAZER F. HILDER
General Counsel

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General Manager
Electro-Motive Division

CHARLES KATKO
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General Manager
Cadillac Motor Car Division

ROBERT L. KESSLER†
Manufacturing Staff

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General Manager
Detroit Diesel Allison Division

EMMETT B. LEWIS, JR.
General Manager
Frigidaire Division

ROBERT D. LUND
General Manager
Chevrolet Motor Division

ROBERT F. MAGILL
Industry-Government
Relations Staff

ALEX C. MAIR
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Pontiac Motor Division

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President and General Manager
General Motors of Canada Limited

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GEORGE B. MORRIS, JR.
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Fisher Body Division

DAVID S. POTTER
Environmental Activities Staff

CHARLES J. SCANLON
Coordinator of
Pension Fund Investments

F. ALAN SMITH
Financial Staff

OTIS M. SMITH
Associate General Counsel

ROBERT W. TRUXELL
General Manager
GMC Truck & Coach Division

FRANK J. WINCHELL
Engineering Staff

MACK W. WORDEN
Marketing Staff

STAFF OFFICERS

JOHN R. EDMAN
Treasurer

ARCHIE M. LONG
Comptroller

CALVERT THOMAS
Secretary

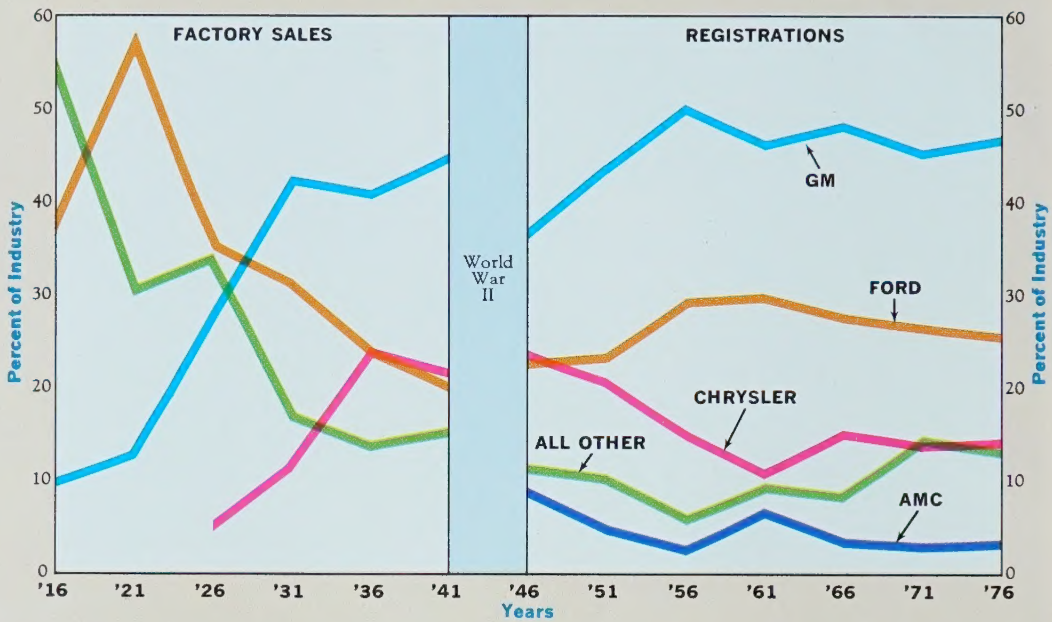
Effective January 1, 1977 †Retired Effective January 1, 1977

Competition in the Automobile Industry

On August 3, 1976, the Federal Trade Commission announced an investigation of the economic structure of the American automobile industry, of the economic performance of firms—both domestic and foreign —engaged in the manufacture and distribution of automobiles, and of the acts, practices, and methods of competition of those firms. In responding to this announcement, GM said: "After decades of almost constant investigation by the Congress and the antitrust agencies into every facet of the American auto industry, it seems that we will be called upon to demonstrate once again that the business is intensely competitive and operating in accordance with the law." The FTC emphasized that the existence of an investigation does not imply that violations of the law have occurred.

Repeated allegations that the automobile industry is not competitive are refuted by the facts, and this investigation raises questions of major concern to both GM shareholders and the entire American public.

NEW CAR AND TRUCK SALES IN THE UNITED STATES



Note: Nash-Kelvinator Corp. and Hudson Motor Car Company combined to form AMC in 1954.
Source: 1916-1925—Published company data; 1926-1941—Motor Vehicle Manufacturers Association; 1946-1976—R. L. Polk & Co.

Competition—Hallmark of the Industry

The hallmark of the American motor vehicle industry has always been competition. It has produced major advances in both product and manufacturing technology; steady improvement in product quality, convenience, and reliability; and a range of vehicles designed to serve the changing needs of customers at prices which they are willing to pay for the value they receive.

Over the years, the American consumer has been given a greater choice of motor vehicles than has been available anywhere. At the beginning of the 1977 model year, over 20 domestic and foreign vehicle manufacturers offered more than 650 passenger car models and body styles in the U.S.

Price competition has been an important and continuing aspect of the automobile business. The increase in the average price paid for a new vehicle has been relatively small despite strong inflationary cost pressures. The government's own data show that during the past 10 years, the Consumer Price Index as a whole rose 77% while its new-car component, which recognizes quality changes, increased by only 40%.

As a percent of median family income over the last 25 years, the average retail selling price of an automobile declined dramatically. Measured by this realistic standard, U.S. car prices are the lowest in the world.

Freedom of Choice

Today's car buyers are knowledgeable. They choose carefully from among competing models, many of which they may have tested or read about in consumer publications. The consequence is that automobiles today are subject to continuing scrutiny by a public that is both sophisticated and experienced with respect to motor vehicles.

The American consumer has many choices: he can select a new car from either domestic or foreign manufacturers selling cars in the U.S., or from among the many offerings of a used-car market that accounts for some 60% of all automobile sales in the U.S., or he can buy no car at all and keep the one he is driving. No customer can be regarded as a captive, and each manufacturer must constantly compete to retain its customers and try to win over new ones.

While it is true that customer likes and dislikes for new vehicles over more than 70 years of intense competition have shaped an industry principally composed of a few large companies, this development is not unique to the United States. Historically, automobiles have been produced by large manufacturers in every developed country of the world as a few companies become more successful than others in a competitive, mass-production, technologically-intensive, market-oriented business.

GM's Growth from Within

When GM was organized in 1908, its success was not predestined. Indeed, by 1916, when GM was reorganized, GM car and truck sales represented only 9% of the U.S. total, while Ford accounted for 37%. In 1921, when GM basically had the same automobile divisions that it has today, it was on the verge of financial collapse, and accounted for 12% of industry sales, compared with Ford which had achieved nearly 60%.

A key factor, however, in GM's subsequent success was effective management, coupled with the conviction that the consumer wanted improved products and a variety of choices. GM moved to meet these diverse consumer demands.

Variations in the competitive performance of GM over the last 60 years can be seen in the chart shown above.

The growth GM has experienced since the early 1920's has been preponderantly growth from within. Its present size has been determined by a willingness to assume the risks of a constantly changing market and by its ability to pass along many of the resultant efficiencies to its customers in higher car value. Very simply, GM's size is a result of its ability to satisfy customer demand more effectively than its competitors.

Mobility for Millions

The automobile industry has been enormously successful in providing the mobility which people desire. This was achieved by private management and capital competing freely in the marketplace; it was not the result of government sponsorship, protection, or subsidy. The industry produces the best cars it can at competitive prices. GM has contributed to this accomplishment in the past and will continue to do so in the future.

TEREX TITAN


FRIGIDAIRE Washer and Dryer

GMC RAPID TRANSIT SERIES (RTS) Passenger Coach


FRIGIDAIRE Touch-N-Cook Range


HOLDEN TORANA Hatchback

OPEL ASCONA Deluxe

VAUXHALL CAVALIER GL

ELECTRO-MOTIVE Diesel Locomotive

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